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FM AMEMBASSY TOKYO  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7003  
INFO RUCNARF/ASEAN REGIONAL FORUM COLLECTIVE IMMEDIATE  
RUEHBJ/AMEMBASSY BEIJING IMMEDIATE 1524  
RUEHBY/AMEMBASSY CANBERRA IMMEDIATE 3296  
RUEHUL/AMEMBASSY SEOUL IMMEDIATE 8182  
RUEHFK/AMCONSUL FUKUOKA IMMEDIATE 7048  
RUEHNH/AMCONSUL NAHA IMMEDIATE 9403  
RUEHOK/AMCONSUL OSAKA KOBE IMMEDIATE 0866  
RUEHKSO/AMCONSUL SAPPORO IMMEDIATE 7560  
RUEHIN/AIT TAIPEI IMMEDIATE 7506  
RHEHAAA/WHITE HOUSE WASHDC IMMEDIATE  
RUEAIIA/CIA WASHDC IMMEDIATE  
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC IMMEDIATE  
RHEFDIA/DIA WASHINGTON DC IMMEDIATE  
RHHMUNA/HQ USPACOM HONOLULU HI IMMEDIATE  
RHEHAAA/NSC WASHDC IMMEDIATE  
RUEATRS/TREASURY DEPT WASHDC IMMEDIATE  
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C O N F I D E N T I A L SECTION 01 OF 04 TOKYO 002443

SIPDIS

E.O. 12958: DECL: 10/22/2019

TAGS: PREL PGOV PINR JA

SUBJECT: PREVIEW OF THE DIET'S 2009 EXTRAORDINARY SESSION

REF: TOKYO 2432

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Classified By: Political Minister Counselor Robert Luke, Reasons 1.4 (b) and (d)

¶1. (C) Summary: The new Hatoyama government will face its first Diet session October 26 to November 30. Bills that will likely be on this extraordinary session's agenda include those on North Korea-related cargo inspections, repayment moratorium on loans by small and medium-sized enterprises, and measures to handle H1N1 influenza. Many of the bills dealing with issues raised in the ruling Democratic Party of Japan's campaign "manifesto" (platform), such as child care support and gasoline taxes, are likely to be deferred to the ordinary session of the Diet, which begins in January 2010. In addition to deliberations on proposed legislation, the extraordinary session is where Prime Minister Yukio Hatoyama will make his first policy speech to the Diet. Both ruling and opposition members will then have a chance to question and challenge the prime minister on his policy direction. Opposition members may take things one step further by raising lingering doubts about Hatoyama's handling of a financial scandal involving political funding that first erupted earlier this year in June. End Summary.

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Extraordinary Session  
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¶2. (U) An extraordinary session of the Diet ("rinji kokkai") is usually held once or twice between summer and the end of the year. An extraordinary session must also be convoked after a general election. Following the August 30 Lower House election, an extraordinary session will be held from October 26 to November 30. Despite calls from opposition parties to extend the session until the end of December (in order to have enough time to thoroughly question the new government about its policies), the DPJ-led government favored the shorter duration to set aside enough time at the end of the year for budget compilation, according to Chief Cabinet Secretary Hirofumi Hirano. The extraordinary session represents the first opportunity for the Hatoyama government

to advance its legislative agenda. (Note: The other two types of Diet sessions are the ordinary session ("tsujou kokkai") that takes place in January every year and lasts for 150 days and the special session ("tokubetsu kokkai") that convenes for a few days after a Lower House election with the concrete goals of choosing a prime minister and accepting the resignation of outgoing Cabinet members. End Note.)

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Bills Expected to be on the Agenda  
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13. (C) According to press reports and Embassy contacts, the following bills are expected to be on the upcoming extraordinary session's agenda:

BILL ON NORTH KOREA CARGO INSPECTION

This was one of 17 bills under consideration when previous Prime Minister Taro Aso dissolved the Diet on July 21. As originally proposed by the then-ruling Liberal Democratic Party (LDP), the bill would have enabled law enforcement authorities to inspect suspicious cargo to and from North Korea on the high seas and elsewhere. It would also have set rules for inspection by designating the Japan Coast Guard as its primary agent and the Japanese Self Defense Forces (SDF) as backup in special circumstances. In recent days, media speculation has gone back and forth on whether this bill would be submitted in the upcoming extraordinary session.

Last week, the Yomiuri newspaper speculated the government would not be submitting the cargo inspection bill in consideration of the Social Democratic Party (SDP), the DPJ's coalition partner that opposes the overseas dispatch of SDF,

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as well as in light of North Korea's recently conciliatory stance on the resumption of Six Party Talks. However, on October 20, Foreign Minister Katsuya Okada argued in favor of the bill: "It's wrong to put off the submission of the bill on grounds that North Korea is now taking a conciliatory approach," reminding reporters that this was a bill to implement a UN Security Council resolution aimed at punishing the North for its second nuclear test in May. Possibly to counter claims that the DPJ-led government is not as pro-active on resolving the North Korea issue as its LDP opponents, the latest media reporting and information from post's contacts in the government indicate that the Hatoyama administration will submit the North Korea cargo inspection bill for debate during the extraordinary session, although with revisions that take coalition partners' concerns into account. According to press reports and Embassy contacts in MOFA, the revised bill would restrict inspection activities to the Japan Coast Guard and prohibit even limited participation by the SDF.

BILL ON A REPAYMENT MORATORIUM ON SME LOANS

By providing a three-year loan repayment moratorium for small and medium-sized enterprises (SME) and individual mortgage borrowers, this bill aims to support the employment generated by small businesses and prevent loan defaults. Financial Services Agency (FSA) Minister Shizuka Kamei said recently the agency's bank inspections will change "dramatically" and that he intends to direct FSA's financial inspectors to ensure banks show social responsibility when dealing with borrowers. FSA inspectors, normally charged with ensuring that banks' balance sheets remain healthy, have been tasked with developing quantitative means to measure how much the banks will ease lending conditions such as restructuring interest schedules, and lengthening repayment periods. FSA Senior Vice-Minister Kohei Otsuka (reported architect of the moratorium bill) has said that instead of declaring bad loans as non-performing, banks will be required to keep the majority of such loans on their balance sheets. Japan's Topix Banks Index is down 10 percent since Kamei announced the proposal on fears that the moratorium would have a negative long-term impact on the quality of banks' SME loan

portfolios, and the integrity of banks' risk management.

BILL TO FREEZE THE PLANNED SALE OF JAPAN POST GROUP COMPANIES' SHARES

This bill will suspend the sale of stocks of Japan Post Holdings, JP Bank, and JP Insurance, which was to begin in FY2010 at the earliest. It is also expected to include provisions to suspend the sale of the assets of JP group (such as Kampo-no-yado hotel facilities, etc.). A related bill on basic reform of postal services -- a pet project of Minister for Financial Affairs and Postal Reform Shizuka Kamei -- is likely to be submitted in the ordinary session of the Diet, due to limited time in the extraordinary session. Details remain unclear, but next year's bill is expected to include provisions to change the four-company management structure of the JP group companies (Reftel).

FIVE BILLS TO RATIFY TREATIES AND APPROVE PREVIOUS CABINET DECISIONS

Among these five is a Cabinet decision made last June regarding a complete ban on exports to North Korea.

BILL ON INDIAN OCEAN REFUELING (OPPOSITION PARTY SUBMISSION NOT EXPECTED TO PASS)

LDP Diet Affairs Committee Chairman Jiro Kawasaki said the opposition party would submit a bill calling for the extension of Japan's participation in Operation Enduring Freedom.

BILL ON MEASURES TO DEAL WITH THE NEW STRAIN OF INFLUENZA (H1N1)

BILL ON THE ORGANIZATION FOR THE PROMOTION OF REGIONAL MEDICAL SERVICES

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BILL TO ABOLISH THE SERVICES AND SUPPORT FOR PERSONS WITH DISABILITIES LAW

AMENDMENT TO THE LAW ON SALARIES OF MINISTRY OF DEFENSE EMPLOYEES

AMENDMENT TO THE LAW ON SALARIES OF RANK AND FILE CIVIL SERVANTS

AMENDMENT TO THE LAW ON SALARIES OF CIVIL SERVANTS IN SPECIAL SERVICE

AMENDMENT TO THE LAW ON CIVIL SERVANTS' CHILDCARE LEAVE

AMENDMENT TO THE LAW ON SALARIES OF JUDGES

AMENDMENT TO THE LAW ON SALARIES OF PROSECUTORS

AMENDMENT TO THE LAW ON CHILDCARE LEAVE FOR JUDGES

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Bills NOT Expected to be on the Agenda  
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¶4. (C) Many of the DPJ's manifesto pledges are likely to be wrapped into the FY09 second supplemental budget and FY10 regular budget, both of which are expected to be submitted to the Diet's ordinary session in January 2010. A bill to create the "Child Care Allowance Program" that would provide 26,000 Japanese yen (approximately 290 U.S. dollars) per month per child (from birth to 15 years old) is one such example. Another is a bill to revise the Labor Dispatch Law into what would be a more restrictive version of a bill submitted by the LDP in the previous Diet session. A proposal to abolish the provisional tax rates for gasoline, another DPJ campaign promise, is one more example of a bill likely to be submitted next January. Despite speculation that a bill to abolish the health insurance system for people aged 75 and older would be discussed at next week's

extraordinary session, the Yomiuri newspaper on October 16 said that the government has decided to postpone the bill, since it will take time to design an alternative scheme following its abolition. Finally, some DPJ lawmakers have discussed reforming structures of corporate governance in Japan to improve accountability by enacting a new law for publicly-held companies.

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The Prime Minister in the Extraordinary Session  
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¶15. (C) In addition to the fact that it will be the Hatoyama government's first session of legislative work, the extraordinary session is also significant because ordinarily, the PM delivers a policy speech to both houses of the Diet on its opening day, then answers questions from representatives of both ruling and opposition parties for the next several days. In what will be his first policy speech as PM since assuming the office on September 16, Hatoyama will expound on his pet concept of "fraternity" ("yuuai") and emphasize the following five key policy areas: 1) elimination of wasteful government spending, 2) protection of people's livelihoods and lives, 3) realizing an economy that takes the interests of individual citizens into account, 4) substantial decentralization by granting of more power to local governments, and 5) making Japan a "bridge" to the world. Undoubtedly wanting to break from the tradition of past speeches merely listing policies drafted by bureaucrats, Hatoyama declared, "I will outline the government's domestic and foreign policies, but I will not present policy after policy."

¶16. (C) The Prime Minister is expected to answer questions from lawmakers from both ruling and opposition parties on

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October 28 and 29 in the Lower House, and October 29 and 30 in the Upper House. During this time and throughout the extraordinary session, Hatoyama and his government are likely to face pointed questioning and criticism from opposition lawmakers. In addition to pressing the PM on policy, some in the opposition may use the extraordinary session to launch a renewed offensive on Hatoyama by raising the financial scandal that first surfaced in June when he admitted to sloppy accounting by his political support group.  
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